



Department of Justice

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JUSTICE DEPARTMENT FILES COMMENTS IN AIRLINE COMPUTER RESERVATIONS SYSTEMS RULEMAKING

Suggests that Changed Conditions Justify Allowing Certain Rules that Have Proved Ineffective to Expire

WASHINGTON, D.C. - The Department of Justice today filed comments with the Department of Transportation (DOT) concerning regulatory supervision of the travel agent computer reservations systems (CRS) industry. The Department's comments were filed in a proceeding in which DOT is proposing to extend the rules, which would otherwise expire in January 2004.

The Department advised DOT that many of the regulations, which have been in effect for nearly twenty years, have failed to make the CRS industry more competitive, may have imposed costs of their own on consumers, and should not be extended. The Department noted that two recent industry developments – domestic airlines no longer own CRSs and now use the Internet to sell tickets – have reduced the need for extensive regulation.

There are currently four CRSs operating in the United States, and airlines remain heavily dependent on them to sell tickets. CRSs provide the essential communications link between airlines and travel agents, and process over 90 percent of the \$57 billion in annual airline ticket

sales by travel agents in the United States. Because each CRS provides services to a large base of travel agents, almost all airlines purchase services from all four.

The CRS systems were started and, until recently, owned by major U.S. airlines. The rules were originally promulgated in 1984 to control competitive abuses by the airline owners of CRSs, who biased them to handicap targeted airline competitors. Recently, however, divestitures have largely eliminated the domestic airlines' control of CRSs that the regulations sought to address.

The Department recommended that DOT now abandon its CRS price regulations, which require CRSs to charge all airlines the same prices for the same services. Although the pricing rules had been effective in preventing abuses during the period when airlines owned the CRSs, the price rules had not brought CRS fees down to competitive levels, and may have hampered the ability of some airlines to negotiate lower CRS fees.

The Department also recommended dropping rules that restrict the terms and conditions in contracts between CRSs and travel agencies, which have not had any appreciable effect in making the industry more competitive. The Department recommended that DOT retain rules that prevent CRSs from biasing their information against particular airlines and rules that require equal treatment in the updating of airline information in their systems.

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